

REPORT TO THE HONOURABLE ART CHARBONNEAU, MINISTER OF FORESTS

ON THE PROPOSED TRANSFER OF LICENCES FROM

FLETCHER CHALLENGE CANADA TO RIVERSIDE FOREST PRODUCTS

Prepared by Paul Ramsey, M.L.A.
Parliamentary Secretary to the
Minister of Forests
October, 1992

REPORT TO THE HONOURABLE ART CHARBONNEAU, MINISTER OF FORESTS

ON THE PROPOSED TRANSFER OF LICENCES FROM

FLETCHER CHALLENGE CANADA TO RIVERSIDE FOREST PRODUCTS

Summary:

In August, 1992, the Minister invited a panel of MLA's to gather and assess public reaction and to make recommendation regarding the proposed transfer of tenures held by Fletcher Challenge Canada Ltd. to Riverside Forest Products Ltd. The members of the panel were Lyall Hanson--MLA for Okanagan-Vernon, Shannon O'Neill--MLA for Shuswap, Cliff Serwa--MLA for Okanagan West, Judy Tyabji--MLA for Okanagan East, and the Chair, Paul Ramsey--MLA for Prince George North and Parliamentary Secretary to the Minister of Forests.

We are pleased to present our report. It should be noted that Ms. Tyabji participated in the process of gathering information about this issue but has declined to be a signatory to this report.

The tenures involved in this proposed transfer include Tree Farm License #49, three forest licences, a timber sale licence, and two timber licences; the present combined AAC of these tenures is over 1,000,000m³. Riverside Forest Products requested transfer of these tenures in connection with its purchase of Fletcher Challenge's timber processing facilities in the Okanagan. Those facilities include a plywood mill and a lumber mill near Armstrong and a plywood mill, a lumber mill, and a bin and pallet plant in Kelowna.

The public hearings which we conducted in Vernon and Kelowna and the written submissions which we received after those hearings revealed wide support for the proposed transfer. We heard repeatedly that Riverside Forest Products was a highly respected organization which had developed and maintained good relations with its employees, with other forest firms, and with the communities in which it operates. Municipal governments, regional districts, and representatives of labour and business, including other forest industry firms, recommended that the transfer of licences be approved.

However, we also heard many concerns about the forest industry in the Okanagan. Some were concerned that potential reductions in AAC might result in loss of stability for mills in the region and therefore loss of employment. Others were concerned with past forest management practices, particularly on TFL #49, and in specific watersheds, such as Chase Creek. Still others were concerned that plans for park development and for forest management which integrated industrial, recreational, and other uses of the forests continue and expand. Finally, we heard forceful presentations by representatives of aboriginal groups that they wished to have their interests, which they have asserted through land claims, respected through interim measures such as joint stewardship while those claims are being negotiated.

We recommend that the transfers be approved. However, we have recommendations to make on several issues which we think should be addressed by conditions attached to the licences. We also wish to identify some further issues which, although not subjects for conditions attached to the licences, deserve attention of the government, the companies involved, or the Forest Service.

Information Gathering Process:

In carrying out our instructions to gather and assess public reaction to the proposed transfers, we took the following steps:

- Arranged a meeting on August 10 in Victoria between members of the panel and Forest Service staff to decide on the format and location for public hearings and to discuss general issues involved in the transfer.
- Met privately with representatives of Fletcher Challenge Ltd. and Riverside Forest Products on August 27 to discuss details of the proposed sale of mills and transfer of tenures.
- Conducted public hearings in Vernon (August 27) and Kelowna (August 28); about 350 people attended the hearings, and we heard thirty-nine submissions from individuals and groups.
- Reviewed 31 written comments, briefs, and letters received after the public hearings.
- Arranged a meeting between panel members and Forest Service staff in Vernon on September 15 to discuss issues identified in oral and written submissions.

One weakness in the information gathering process should be clearly noted: we did not hold a public hearing in the Salmon Arm area. The panel had decided on August 10 that, since the proposed transfer involved no mills in

the Salmon Arm area and since only 5-10% of the AAC involved in the transfer was located in the Salmon Arm Forest District, hearings in Vernon and Kelowna would be sufficient.

However, after the hearings in Vernon and Kelowna were announced and advertised, representatives of municipal government and the forest industry from the Salmon Arm area requested that a hearing be held there as well. Unfortunately, it was then too late to schedule and advertise an additional hearing. A substantial number of people from the Salmon Arm area attended the public hearings or made written submissions, and the panel clearly heard their views and concerns. However, had we anticipated the high level of interest in this proposed transfer in the Salmon Arm area, it would have been better to schedule a hearing there.

Findings and Recommendations:

Many individuals and groups spoke and wrote in favour of approving these transfers. Perhaps the most valuable asset Riverside had in gaining public support for the transfer was the reputation of its owners, Gordon Steele and Gerald Raboch. As Earl Shipmaker, Chairman of the North Okanagan Regional District put it, "Many people have talked about Riverside being a good corporate citizen. We look at it more as individuals . . . being good for our community; good in terms of environmental awareness, good in terms of recognizing multi-use of our forest, and just good people to live with and be neighbours with."

The sale of Fletcher Challenge's assets to Riverside was generally seen as a move which would strengthen and stabilize the forest industry in the Okanagan. As Terry Quesnel of the Vernon Chamber of Commerce said, "It maintains or increases employment opportunities in the North Okanagan. It assures more efficient and effective use of timber and technology. . ." The sale will result in rationalization of log flows to mills—definitely a positive point to Okanagan residents dealing with rapidly increasing traffic. Wayne McGrath, the Mayor of Vernon, noted that the sale "will result in a reduction

of some 11,000 truck movements through our city and will translate into cost savings for both the company and the city."

We also heard Riverside praised as a company which had good relations with its employees and contractors, with municipal and regional district governments, with other forest industry firms, and with community groups. Verne McGregor of the Kelowna local of IWA gave a typical endorsement: "The relationship between Riverside and the IWA has been very positive. We also feel they are a very well-managed company. . . . I dealt with them and worked in their plant, and I found them to be very responsible people in the industry." Riverside's local ownership was seen as contributing to those positive relations. John Low, Acting Mayor for Spalumcheen, repeated the views of many when we told us that "with local ownership we stand to gain a corporate citizen that will be more sensitive to local issues and concerns, in particular to the environment."

Support for the proposed transfers was very broad. **Our recommendation is that the tenures be transferred.** There were, however, some issues involved in the transfer which we think should be the subject of conditions incorporated in the licence documents.

Issues for Incorporation in Licence Documents:

Perhaps the most often expressed concern was whether Riverside would continue to operate all the mills which it is acquiring. Some felt that the land on which the Kelowna sawmill and plywood plant sits could be more valuable as real estate than as a mill site, and they speculated that this might induce Riverside to shut down the Kelowna mills. Others worried that, since Riverside would own several sawmills and plywood plants, they might choose to "rationalize" operations by shutting down one or more of them and increasing production at the remaining facilities. Riverside representatives repeatedly assured the public hearings that it had no intention of selling the Kelowna mill site or shutting down mills. But licence clauses are more reassuring than statements at public hearings.

We recommend that a condition of the licences be that no major changes to the operation of the Kelowna and Armstrong sawmills and plywood plants shall be made without the permission of the Minister of Forests

A second major concern was the state of Tree Farm Licence #49. Both aboriginal groups and others expressed fears that the TFL had been seriously overcut and urged that, if this were the case, sustainable levels of harvest be put in place as soon as possible. We also heard that the management and working plan of the TFL was out-of-date. One speaker stated bluntly that, "no attempt has been made to manage this very large area sustainably." Some recommended that transfer of the licences be delayed until after an audit of the TFL was completed and AAC was recalculated. While we do not have the technical data or expertise to accurately evaluate these claims, clearly these very serious concerns about the management of the TFL need to be addressed.

We recommend that as a condition of transfer, Riverside agree to provide the Chief Forester with all information required for determination of AAC and to complete the five year review of the Management and Working Plan for the TFL as soon as possible after the transfer of licences is completed by a date determined by the Chief Forester.

We further recommend that the Forest Service conduct an audit of forest operations on TFL #49, and that this be a top priority for the Forest Service in the Okanagan.

Another issue which we feel should be mentioned in the transfer documents is the need for cooperation between Riverside and the regional and municipal governments in operation and development of parks. We heard in Kelowna how important continuation of Fletcher Challenge's commitments to the operation and expansion of Bear Creek Provincial Park was. Similarly we

heard that further development of linear parks in the area was dependent on continuing the positive relationships between local governments and companies. During the public hearings, Riverside indicated it was very willing to continue such cooperation.

We recommend that Riverside be asked to commit to continued cooperation with local governments in the operation and expansion of the Bear Creek Park and the linear park system in the Central Okanagan Regional District.

Additional Issues for Action by Government

Other issues were directly related to the proposed transfer but were either matters which required ongoing monitoring by government agencies or which sought action by government after the transfers were approved:

Bill 13:

Some contractors asked us to ensure that the provisions of Bill 13, governing timber harvesting contracts and subcontracts be fully complied with. And we were pleased to hear Riverside publicly state its commitment to ensure that all contractors had contracts and we are sure that any complaints brought forward by contractors will be dealt with promptly through the Ministry of Forests.

Annual Allowable Cut:

We heard from several representatives of employees as well as from Riverside management that further reduction in AAC levels in the Okanagan Timber Supply Area would create serious problems and would be unacceptable. There was also some concern expressed about the current methodology for calculating AAC.

It is clear that transfer of these licences in no way affects the province's authority to evaluate timber supply areas and to set AAC's for them. Full consultation must occur with companies and communities about what the

options for AAC level would entail, but no guarantee that further reductions might not occur at some time can or should be made.

5% "Takeback":

A final issue which came up repeatedly was the 5% "takeback" of AAC which results when licences are transferred from one company to another. We heard many suggestions about what we should recommend about this volume, which amounts to some 50,000m³ of AAC. Some suggested that we ignore the Forest Act and waive the requirement for the 5% takeback. Other suggestions included apportioning it to new value-added operations through the Small Business Forest Enterprise Program, awarding it directly to aboriginal groups, or using it to create a log market in the Okanagan. We also heard requests from the Salmon Arm area that a portion of this AAC be given directly to operators in that area.

We recommend that the 5% takeback be used to increase the volume of timber available through the SBFEP, especially to value-added manufacturing. This additional SBFEP volume should be made available in the forest districts affected by the transfers in the same proportion as the volume being transferred come from those districts.

Issues Raised by Native People

The strongest objections to the transfer of these tenures came from the aboriginal people in the Okanagan area. Both the Okanagan Band and the Westbank Band made extensive presentations to the panel. It must be understood that the Bands were not objecting to the continuation of the forest industry in the Okanagan. As Chief Albert Saddleman of the Okanagan Band said, "We would like to work together today and in the future." Chief Saddleman went on to note that many band members work in the forest industry and said that, "it would be foolhardy for us to try and block something that is the livelihood of our nation."

However, the Bands feel they cannot fully support the transfers, particularly of TFL #49 which they feel has been seriously overcut. Some speakers recommended that the transfer be delayed until a new annual cut was established. We have dealt with these concerns about sustainability earlier in our recommendations.

The goal of the Bands is to establish interim measures for recognizing native interests in these areas affected by the transfer of tenures until the land claims covering them are resolved. To that end, they propose that joint stewardship agreements be negotiated--preferably prior to the transfer of the licences. Many suggestions for increasing native participation in the forest industry were made, but most of them feel well outside the mandate given this panel.

It is not clear to us why joint stewardship agreements must be completed prior to the transfer of these licences. As one speaker for the Westbank Band recognized, the province's responsibility to deal honourably and fairly with aboriginal peoples is the same, whether or not the transfers are approved. However, the transfer of the licences has heightened interest in establishing interim measures in this area. That interest should be recognized as the government implements its province-wide policy of addressing the resource management concerns of native people through discussions on joint stewardship and other interim measures.

A more immediate concern of the bands who made presentations to us was the level of employment of band members in the forest industry. The need for emphasis on training and employment programs was clear.

We recommend that the province begin discussions with the Westbank and Okanagan Bands regarding ways to increase employment opportunities for band members in government and industry positions in the forest sector.

Another immediate concern of the Okanagan Band is management of the watersheds above their reserve. The Band has requested that they have a voice in how they are managed. We feel this is a very reasonable request.

We recommend that integrated Watershed Management Plans be developed for these watersheds--Short's Creek, Whiteman Creek, and Six Mile Creek-- by the Forest Service and by any companies operating in that area and that Band representatives be fully involved in developing those plans.

General Forest Issues

The panel also received submissions on a wide variety of forest issues which lie outside our mandate. However, they should be recognized as concerns of people living in the Okanagan area.

Some presenters from the Salmon Arm area raised the issue of overcapacity of mills in the Okanagan TSA. They suggested that the government needed stronger legislative tools to deal with excess mill capacity and suggested that the government shouldn't be proceeding with transfers while excess capacity of mills exists and threatens the viability of industry.

Another issue was the TFL form of tenure. Here as elsewhere in the province, many see this form of tenure as a contributor to poor forest management practices. As one speaker put it, "the tree farm licence is the worst form of tenure in a grab-bag of poor forest tenure instruments in use today." The panel was urged to work for its abolition.

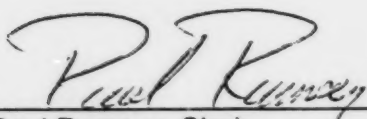
Finally, there was a general concern about forest management practices. Both aboriginal spokespeople and others said that they felt integrated resource management was more a paper goal than a practiced technique. While some recognized the improvements made in management practices in

recent years, progress in this area still fell short of some community expectations.

Conclusion

We are pleased to present this report and its recommendations for your consideration. The all-party nature of this panel reflects the reality that while issues of forest management and tenure may involve economic and political considerations, those issues often transcend party lines.

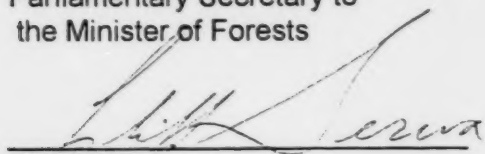
Respectfully submitted,



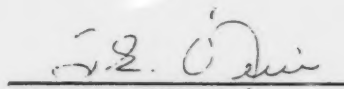
Paul Ramsey, Chair
MLA for Prince George North and
Parliamentary Secretary to
the Minister of Forests



Lyall Hanson
MLA for Okanagan-Vernon



Cliff Serwa
MLA for Okanagan West



Shannon O'Neill
MLA for Shuswap